

BUSINESS OPPORTUNITY

CC-REDW001-07

Department of the Interior

National Park Service

**Proposal to Operate a Hostel including
Overnight Accommodations and Related Services**

Within Redwood National and State Parks

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INTRODUCTION

This document describes, in general terms, the existing business and business opportunity for the facilities and services within Redwood National and State Parks (“RNSP”). The business is a 30 bed hostel located on the coast of California, 12 miles south of Crescent City, adjacent to Highway 101. These visitor services will be authorized through a concession contract issued by the National Park Service under the 1998 Concession Act and its implementing regulations, 36 C.F.R. Part 51, copies of which are in the appendices to this Prospectus. The Draft Contract is included in part V of this Prospectus. Potential Offerors are responsible for reviewing all sections of this prospectus and, specifically, the terms and conditions of the Draft Contract, including its exhibits, to determine the full scope of a Concessioner’s responsibilities.

This solicitation is being conducted in accordance with the 1998 Concession Act and 36 C.F.R. Part 51. Any inconsistency in this solicitation shall be resolved by giving precedence in the following order: (a) 1998 Concession Act; (b) 36 C.F.R. Part 51; (c) Draft Contract; (d) Proposal Instructions; (e) Proposal Package; (f) Appendices; and (g) Business Opportunity.

The data, information, and assumptions included in this discussion of the Business Opportunity are based on a review and interpretation of available public records, National Park Service records, and consultation with knowledgeable sources. On this basis, the data, information and assumptions are believed to be accurate. However, the National Park Service makes no representations or warranties as to the accuracy or completeness of such data, information, and assumptions. Offerors are responsible for undertaking appropriate due diligence with respect to this Business Opportunity. Should any Offeror believe any statement in the Business Opportunity or elsewhere in the Prospectus to be inaccurate, the Offeror must submit comments to the National Park Service in writing, no later than 30 days following the issuance of the Prospectus.

The National Park Service and Its Mission

In 1916, President Woodrow Wilson approved legislation creating the National Park Service within the Department of the Interior. That legislation mandated that America's National Park Service was created by Congress to:

...conserve the scenery and the natural and historic objects and the wild life therein, and to provide for the enjoyment of the same in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations. (16 U.S.C. § 1)

Additionally, Congress has declared that the National Park Service areas should be

...preserved and managed for the benefit and inspiration of all the people of the United States. (16 U.S.C. § 1a-1)

The National Park Service (NPS) has as its overall mission the preservation and public enjoyment of significant aspects of the nation’s natural and cultural heritage. To learn more about the NPS, visit www.nps.gov. This site includes information about the NPS, its mission, policies, and individual parks.



Redwood National and State Parks

Redwood National and State Parks (hereinafter “RNSP”) is the result of a formal partnership between Redwood National Park (hereinafter “Redwood”) and three state parks (Prairie Creek Redwoods, Del Norte Coast Redwoods, and Jedediah Smith Redwoods). While the hostel is located on federal land and is managed by the NPS, it serves visitors to the larger RNSP.

RNSP’s primary significance is preservation of over 40,000 acres of old growth coast redwood forests and associated ecosystems. Once found in many parts of the world, coast redwoods are now found as a natural forest only in a narrow strip along the coast in northern California and southern-most Oregon. The coast redwood forest ecosystem includes some of the world’s tallest and oldest trees, is renowned for its biotic diversity and inspirational atmosphere, and includes a number of rare and endangered species. More than half of the lands within the parks have been heavily impacted by timber harvest and are the subject of an internationally recognized restoration program designed to restore integrity and lost values.

RNSP embraces 35 miles of scenic Pacific Ocean coastline and over 132,000 acres of coastal topography. Heavy area rainfall contributes to an intricate and dynamic hydrologic system. Portions of the watersheds of Redwood Creek, the Klamath River, and the Smith River as well as the Pacific Ocean are located within the parks and provide a rich diversity of aquatic and riparian habitats. The Klamath and Smith Rivers are designated federal and state wild and scenic rivers.

The cultural resources of RNSP consist of more than 100 archeological sites, 30 historic structures, and several historic cultural landscapes. The Tolowa, Yurok, Chilula, and Hupa peoples who are ancestral to lands now within RNSP, maintain traditional lifeways as well as three distinct languages. The hostel, a former farmhouse, is located in the disputed boundary of the Tolowa and the Yurok and is in the vicinity of archeological resources that are listed on the National Register of Historic Places and are important to the Yurok Tribe. The farmhouse itself was determined ineligible for listing on the National Register of Historic Places; however the park manages this property in keeping with the rural look and feel of this historic setting.

RNSP landscapes represent more than 150 years of land use practices by non-Indian peoples, including exploration, mining, fishing, ranching, timber cutting, and settlement. Local logging practices enabled the cutting of timber on an unprecedented scale. The intensity of logging spurred an environmental movement that resulted in lands being set aside for park purposes. Additional information on RNSP can be found at <http://www.nps.gov/redw/index.htm>.



Exhibit 1. – Redwood National and State Parks



Northern Area of RNSP Park Map



Southern Area of RNSP Park Map

Source: National Park Service

Influential Aspects of the Weather

Temperatures range from 40 to 60 degrees year round along the redwood coastline. Redwood trees rely on the fog that envelops the coast in the summer. Summers are dry and mild, with warmer temperatures inland. Winters are cool with considerable precipitation.

Compliance with Federal, State, and Local laws and Park Jurisdiction

Redwood operates under concurrent jurisdiction of the Federal Government. State, federal, and local laws apply to the operation of the hostel.

Park Management Structure

Through an agreement first signed 1994 and last renewed in 2002, the NPS and the California Department of Parks and Recreation (CDPR) cooperatively manage RNSP. The NPS has complete responsibility for the administration, operation, protection, and development of federal lands within RNSP, including all NPS concession operations.

Planning for Redwood National and State Parks

There are a number of documents that provide guidance in the management of RNSP and are available online at <http://www.nps.gov/redw/parkmgmt/index.htm>.



MANAGEMENT OBJECTIVES FOR CONCESSION SERVICES

The need for commercial visitor services within RNSP is based on objectives for visitor use described in law, planning documents, the judgment of park management, and the present objectives of the NPS. The NPS has determined that the facilities and services that are called for in this prospectus are necessary and appropriate to the purposes of RNSP.

MARKET AREA OVERVIEW

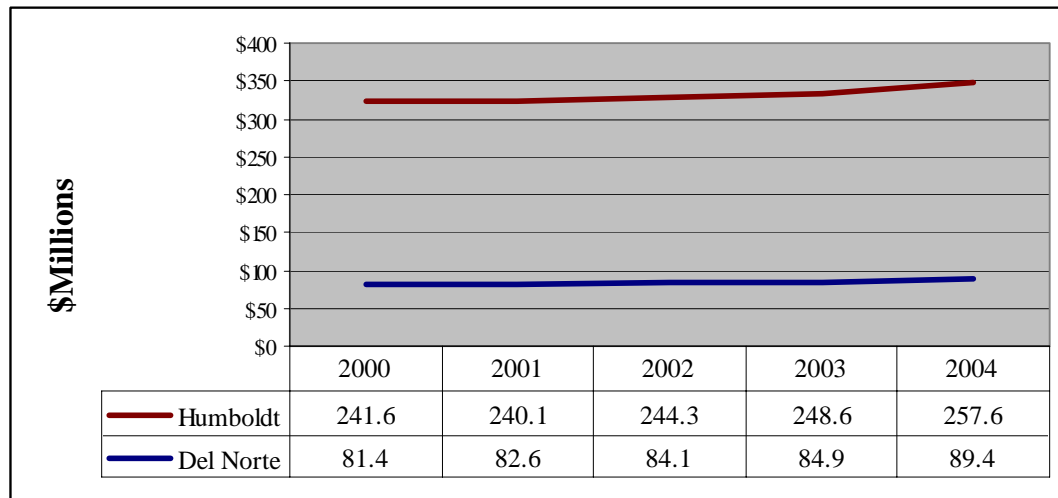
Regional and Local Market Areas

RNSP is located along the northern California coast with access gained primarily by private vehicle; however United Express offers commercial flights into Crescent City, CA and Arcata, CA. U.S. Highway 101 provides access both north and south. Medford, Oregon, 111 miles to the northeast, is the closet major city with Redding, CA, 212 miles southeast. Public transportation is available on Redwood Coast Transit from Crescent City to Arcata.

Leisure travel to California increased by 7.1% from 228 million leisure travelers in 2004 to 244.3 million in 2005, comparing favorably against a 4.1% national travel increase. Nonresident (to California) visitation increased in 2005, growing 14.3% to 55.5 million travelers over 2004. Travel spending in California dropped slightly from in 2005 from 2004. Average per person daily spending in 2004 by the California traveler was \$124 a day versus \$121.10 a day in 2005. The primary demographics of California traveler's includes a median age of 46 years with a median annual household income of \$66,000. The large majority of visitors were married (68%) and employed in managerial or professional occupations (33%). The primary mode of transportation for visitors was the auto, 80%, a slight increase from the 79% in 2004. Most visitors to the State stayed in paid accommodations. Among the paid accommodations segment, 54% stayed in hotel/motels, a two percentage increase over 2004.¹ Travel spending in Del Norte and Humboldt counties shows a similar improving trend as depicted in Exhibit 2.

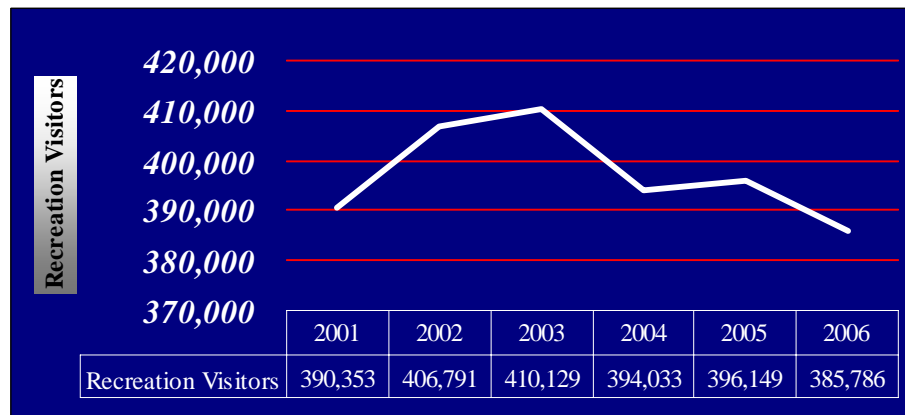
¹ *California Domestic Travel Report, 2005, Prepared by D.K. Schifflet & Associates, Ltd, June 2006.*
http://visitcalifornia.com/tourism/pdfs/YE2005_CA_Report_Final_Revised_0907.pdf



Exhibit 2. – Del Norte and Humboldt Counties Travel Spending 2000-2004

Source: <http://www.visitcalifornia.com/tourism>

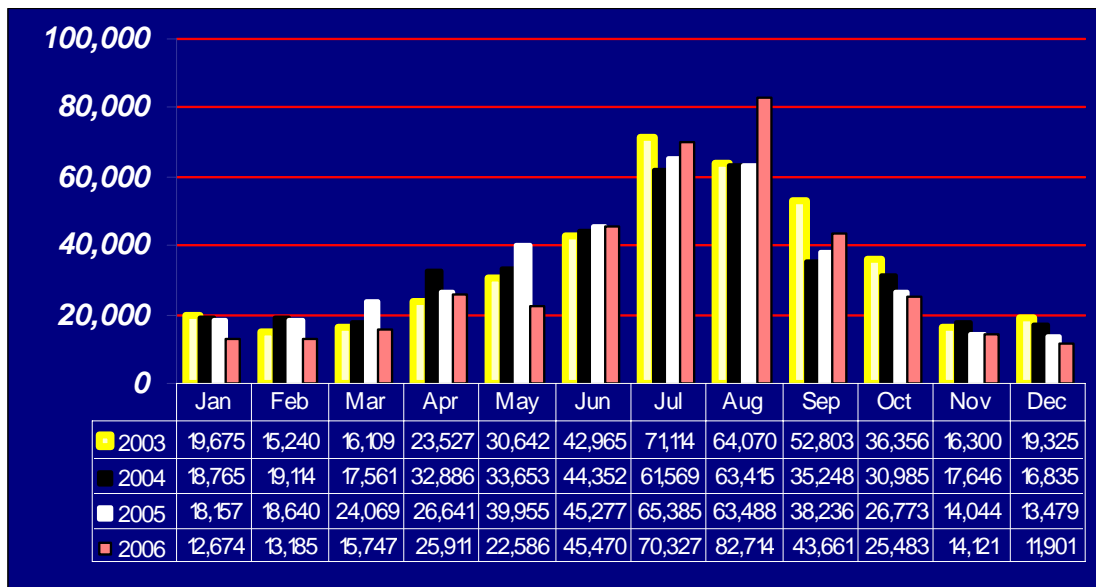
2002 and 2003 increases in RSNP's recreation visitation were partially offset by visitation declines in 2004 and 2006. Visitation declines are attributed to unusual rainy weather, and more recently, high gasoline prices. Overall, RSNP's visitation is steady, nominally growing at a compound annual growth rate of 0.5% over the last five years.

Exhibit 3. Redwood National Park Annual Recreation Visitors – 2001-2006

Source: National Park Service

Typical of most national parks, monthly visitation is centered during the months of June through September.



Exhibit 4. Redwood National Park Monthly Recreation Visitors

Source: National Park Service

RNSP conducted a visitor study in the summer of 1993. Most visitors, 59%, spent less than one day in the park, and 71% consisted of families. 30% of visitors were 36-50 years old while 21% were 15 years or younger. Most, (65%), were first-time visitors to the park. In 1993, 15% of visitors originated from foreign countries including 42% from Germany and 19% from Canada. The Existing Concessioner believes international visitation has decreased from the 1993 level since the terrorist events of 2001. 40% of United States visitors resided in California and 10% were from Oregon. Lodging represented about a third of the total trip expenditure followed by food. The average 1993 per capita expenditure was \$45.



RNSP has a number of camping sites as detailed in Exhibit 5.

Exhibit 5. – RNSP Camping Sites

Area	Number of Sites	Location	Overnight fee On/Off Season	Amenities
Elk Prairie Campground (Prairie Creek Redwoods State Park)	75	50 Miles No. of Eureka on Drury Scenic Parkway	\$20.00/\$20.00	Site accommodates tents & trailers up to 24 Ft., campers up to 27 feet. Nature Center, bookstore, no hookups, showers, restrooms, picnic area, trails, hiker bicyclist sites, trailer dump station, handicapped access, and evening campfire talks.
Gold Bluff Beach (Prairie Creek Redwoods State Park)	24	3 Miles No. of Orick via Hwy 101-Davison Road 8 miles	\$15.00/\$15.00	Motor homes over 24 feet long and 8 ft. wide trailers are prohibited. Solar showers, restrooms, trails, hiker bicyclist sites.
Gold Bluff Beach Environmental Sites (Prairie Creek Redwoods State Park)	3	3 Miles No. of Orick via Hwy 101 -Davison Road 8 miles	\$10.00	Walk-in Sites: Tent camping, picnic tables, fire rings, pit toilets, no water, no trash cans.
Mill Creek Campground (Del Norte Coast Redwoods State Park)	145	7 miles So. Crescent City	\$20.00/Closed	RVs limited to 31 feet and trailers to 27 feet. No hookups. Showers, restroom, hiker/bicycle sites, trailer dump station, trails, and handicapped access.
Jedediah Smith (Jedediah Smith Redwoods State Park)	106 RV or Tent, Group Site	Hwy 199, Hiouchi	\$20.00/\$15.00	37 Ft. RV length, 27' Trailer Length. No hook-ups. Showers, restrooms, river sites, picnic area, trails, hiker bicyclist sites, trailer dump station, handicapped access.
Flint Ridge	10	Coastal Drive	N/C	Walk-in Sites: Sites in redwood spruce forest. Potable water, tables, fire rings.
Little bald Hills Horse/Backpack Camp		Howland Hill Road 4.5 miles trail.	N/C	Walk-in Sites: Toilets, water, horse bar, and fire rings available.
Nickel Creek	5	4 miles So. Crescent City	N/C	Walk-in Sites: Sites in brushy creek canyon above beach. No water. Pets on a leash allowed.



Del Norte County Parks				
Florence Keller	45	5 miles north of Crescent city	\$10.00	RV or Tent camping. Restrooms, water, horse shoe pit, volleyball court, group picnic area, pets on leash, no showers, no hookups.
Ruby Van Deventer	18	4 miles No. Hwy 199 intersection	\$10.00	RV or tent camping, restrooms, water, no showers, no hookups.
Nearby State Parks				
Patricks Points State Park	124 Family or 150 group site	Patricks Point Drive 5 miles No.of Trinidad	\$20.00/\$20.00	Picnic tables, fire rings, showers, beach access, hiking trails, evening campfire talks during the summer, Native American (Yurok) village, tidepools, whale watching, surfing, bookstore, and group day use.
Humboldt Lagoons States Park	6	6 sites available by boat only, South of Orick Stone Lagoon camps	\$12.00/\$10.00	Pit toilets, picnic tables, fire rings, bear poles.
Six Rivers and Smith River NRA (USFS)				
Big Flat Campground	30	14 miles of South Fork Road	\$6.00	22 foot limit on RV or tent camping. Restrooms, fishing, swimming, picnic tables, barbecue pits. Pets allowed on leash. No water, no garbage secluded camping open all year. No hookups.
Grassy Flat Campground	19	4 miles east of Gasquet	\$5.00	RVs limited to 22 foot in length or tent camping. Water, fishing, swimming, restrooms(vault toilets), river access. Campground host, handicapped site, Pets allowed on leash. Water available, garbage service. Open summer and fall.

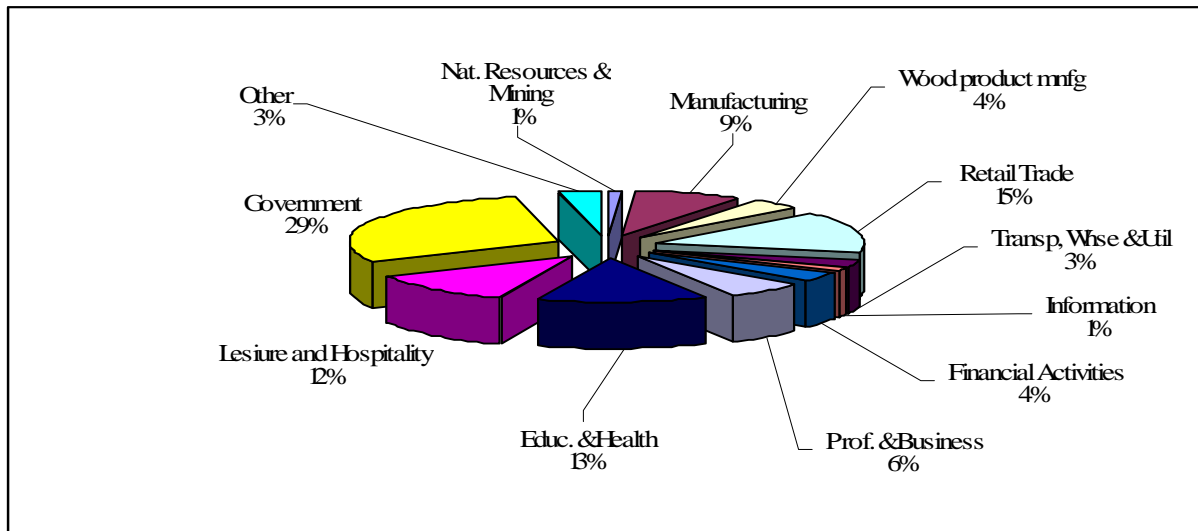
Source: National Park Service

The combined population of the Crescent City and Eureka-Arcata-Fortuna micropolitan statistical area is 156,614. Primary industries are services and trade, although the area produces 2% of California's timber. Government services employ nearly 45% of the population divided among California Department of Corrections, Crescent City, Del Norte County, and Del Norte County Unified School District.



The percentage of non-farm North County Employment is distributed as follows:

Exhibit 6. North Coast Counties 2002 Non-Farm Industry Employment Percentages



Note: North Coast is comprised of Del Norte, Humboldt, Lake, and Mendocino Counties

Source: <http://www.labormarketinfo.edd.ca.gov/> -

Exhibit 7. Summary Demographic and Economic Statistics

	Humboldt	Del Norte	California	USA
Population 2005 Est.	128,376	28,705	36,132,147	293,655,404
% Change 2000-2004	1.5%	4.4%	6.7%	4.3%
% Change 1990-2000	6.20%	17.3%	13.6%	13.1%
Households, 2000	51,238	10,676	11,502,870	105,480,101
Bachelor's Degree or Higher	23.0%	11.0%	26.6%	24.4%
Language other than English	8%	9.8%	39.5%	17.9%
Unemployment Rate (7/2006)	6%	7.1%	5.1%	5.4%
Per capita Income, 1999	26,224	\$20,534	\$22,711	\$21,587
Per Capita Income Growth 2003	5.10%	7.7%	5.4%	1.5%
Retail Sales Per Capita 1997	\$10,370	\$4,931	\$10,264	\$8,190

Sources: U. S. Census Bureau, Bureau of Labor, Bureau of Economic and State of California

A full range of the food and beverage, lodging and retail facilities are available in Crescent City and Eureka to support Park visitors, including 23 full-service restaurants 45 bed-and-breakfast establishments, 68 hotels and 129 motels. The hostel is the only lodging facility within RNSP.

Utilities

The Park provides water and sewage services for the hostel (the sole user) at an average annual cost to the government of \$9,800. In the future, this cost will change dependent upon the length of the concessioner's operating season and will be adjusted annually for inflation. Other modifications may be made as reasonable but only after notice to the concessioner. For the minimum operating season (May 15



through September 15) the concession will be billed at a flat rate of \$2,000 per month, thereafter, \$50 per month for any portion of additional months, up to a maximum annual charge during the first year of the contract of \$8,400.

EXISTING CONCESSION OPERATION

General Information

The Proposal Package (part IV of the Prospectus) requires Offerors to develop financial projections based on the business to be operated. In order to assist the Offerors in the development of these projections, information regarding the utilization and operating data is presented below.

Services offered are overnight accommodations, food and merchandise sales, and laundry facilities. Current operations require guests to make their rooms available during daylight hours to facilitate daily cleaning and maintenance. This also encourages the guests to explore RNSP and surrounding areas. To supplement education/resource protection efforts of RNSP, the hostel participates in a limited way in educational programs to benefit the visitor and the community.

Scope of Operations



PHOTO SOURCE: <http://www.hiusa.org>

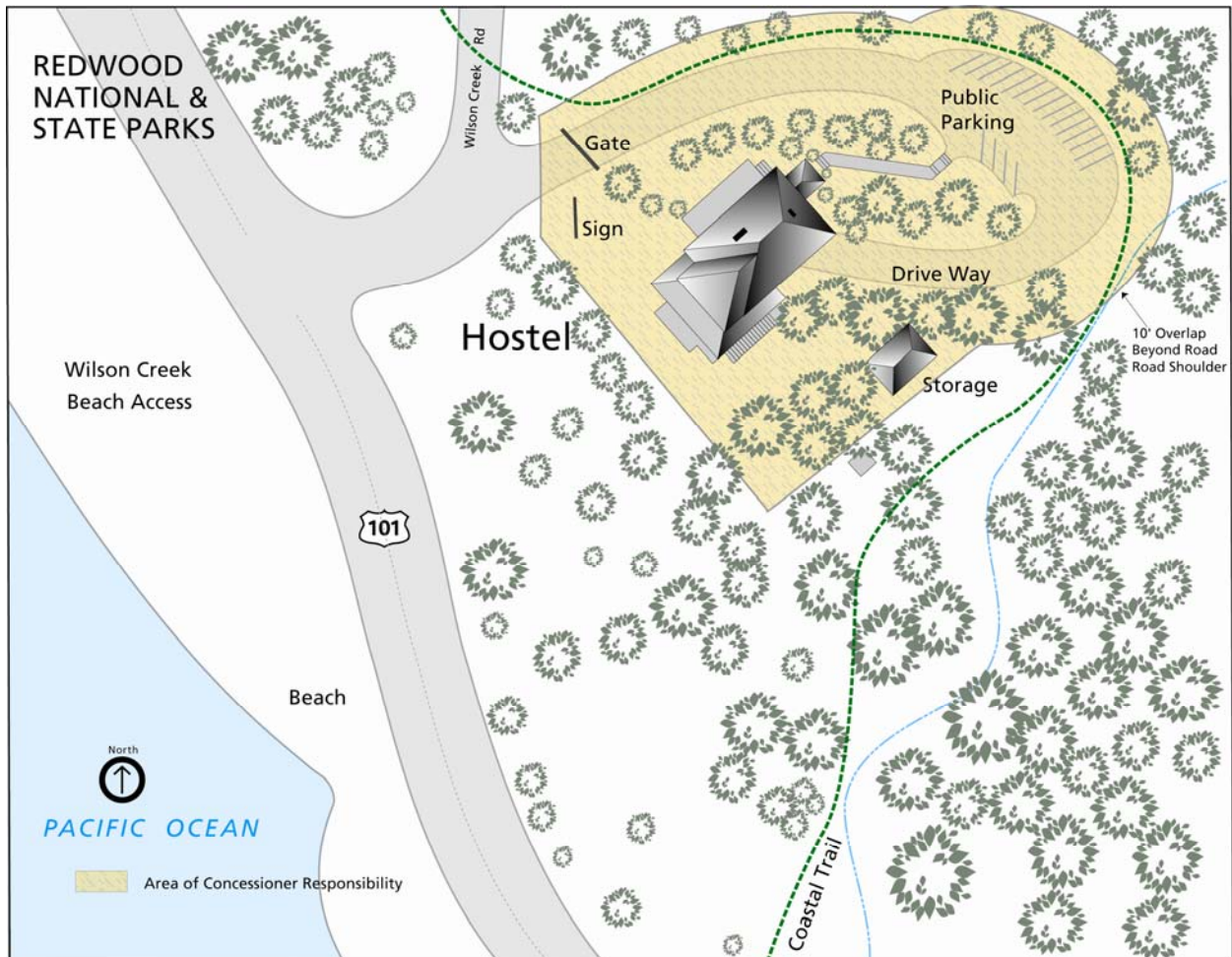
Hostel facilities provide visitors with a quiet setting nestled between the forest and the ocean in majestic trees directly across from the beach. The 3,480 sq. foot inviting turn of the century pioneer homestead, accommodates up to 30 guests in four shared rooms and two private rooms. Furnishings include bunk beds, carpeting and shower facilities. Directly off of the entry is a carpeted 375 sq. foot general purpose room containing comfortable seating with bookcases containing books and games. The full kitchen facility provides a scenic ocean view.

A condition assessment performed in 2006 identified approximately \$350,000 of deferred maintenance. Program funding is being solicited to accomplish all existing building deferred maintenance and component renewal costs over the contract term. NPS anticipates completion of all building deferred maintenance no later than November 1, 2009. The concession and the Service will cooperate to minimize the disruption to visitors in scheduling deferred and ongoing maintenance.



Contract Building Assignment is identified below:

Exhibit 8. Land/Building Assignments



Source: National Park Service

The Existing Concessioner employs a full-time resident manager with hourly staff added during peak operating periods. Hostel rooms are closed from 10:00 a.m. to 5:00 p.m. but group day use is available by reservation. Office hours are 8:00 a.m. to 10:00 a.m. and 5:00 p.m. to 10:00 p.m. A small two-bedroom apartment located in the hostel on the second floor will be available to the Concessioner for employee housing. The apartment consists of two-bedrooms, a living room, kitchen, and bathroom.

Hostels have a long tradition in many European countries. In North America the first hostels opened in the 1930s. While several hostel directories exist, there are no publications that measure the hostel supply in the Pacific West. American Youth Hostels, doing business as Hostelling International (the Existing Concessioner) has 220 hostels in the United States and Canada. A web search revealed 17 hostels located in Northern California, only two of which were within 100 miles of the subject Redwood Hostel. Further investigation indicates that these two locations offer economy lodging (cabins and tents) rather than traditional hostel beds.

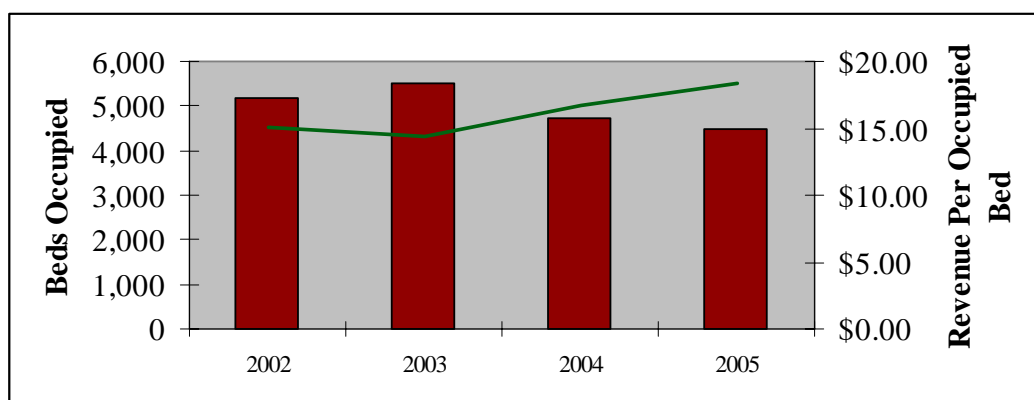
Seventy-five percent of the existing concessioner's clients are U. S. citizens; the balance are international travelers. While formerly frequented by youths, hostels around the world are now visited by adventurous travelers of all ages, including families.

Please see the attached Operating and Maintenance Plans (Draft Contract Exhibits A and B) which further describe the specific operating conditions and requirements. Current maximum lodging rates are \$20.00 per night which includes linen and shower privileges. Historically, occupancy began to build in April of each year, peaking in July/August and rapidly decreasing after Labor Day. Historically, the hostel has been operated year round. Recently, the Existing Concessioner has reduced the number of operating days during the off-season in order to manage expense levels. Excepting group occupancy, the hostel's historical operating season follows:

Historical Operating Seasons	
2002	Open 7 days/week year round
2003	Open 7 days/week year round
2004	Open 7 days/week year round
2005	March through September, open 7 days/week October, open 5 days/week November through February, open 4 days/week
2006	March through September, open 7 days/week October, open 5 days/week November through February, open 4 days/week

Exhibit 9 and 10 identifies the numbers of beds sold; first on an annual basis, and secondly, a monthly average from 1/1/2002 through 12/1/2005.

Exhibit 9. Annual Beds Sold – 4/1/2002 through 3/31/2006



Note: Year represented above reflects operating year, (i.e. "2005" represents 4/1/05 through 3/31/06)

Source: National Park Service/ Concessioner



Exhibit 10. Average Monthly Beds Sold – 1/1/2002 through 12/1/2005

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2002	242	237	485	402	507	614	735	746	452	337	340	247	5,344
2003	258	271	462	406	556	582	767	722	500	364	335	272	5,495
2004	120	195	346	357	521	557	688	718	475	408	235	121	4,741
2005	64	92	409	399	399	585	773	637	511	349	197	75	4,490

Source: NPS/Concessioner

Total Gross Receipts as well as franchise fees paid the prior five years are shown in Exhibit 11.

Exhibit 11. Historical Gross Receipts and Franchise Fees – 2001-2005

	2001	2002	2003	2004	2005
Gross Receipts	\$77,013	\$86,926	\$85,956	\$82,604	\$85,327
Franchise Fee	\$100	\$100	\$100	\$100	\$100

Note: Year represented above reflects operating year (i.e. “2005” represents 4/1/05 through 3/31/06)

Source: National Park Service

FUTURE CONCESSION OPERATION

The Draft Contract will require the concessioner to operate, at a minimum, seven days per week May 15th through September 15th of each year. A longer operation season is authorized, but not required. The concessioner will be required to provide the Superintendent with their proposed operating season no later than November 30th of each year. The financial projections contained in the following section assume the following operating season:

May 15 through September 15 – Seven Days Per Week. Closed the rest of the year.



Exhibit 12. Draft Contract Required and Authorized Services

Required Services	Authorized Services
Peak Operating Season (May 15th through Sept 15th)	Sheltered Overnight Sleeping Accommodations Other
Sheltered Overnight Sleeping Accommodations including Sanitary Facilities	Operating Season extending outside of May 15th through Sept 15th including Sanitary Facilities
	Laundry Services
	Gift and Souvenir Sales including Handicraft and Native American Handicraft Sales
	Limited Food Service/Catering
	Limited Grocery and Convenience Services
	Guide/Interpretive Services
	Limited Book and Travel Brochures
	Other Services such as Equipment Rentals, Memberships, and Telephone Access

Source: National Park Service

Projections

In order to assist Offerors in the development of their proposal, baseline projections for the **Minimum Operating Season** (May 15 through September 15) lodging services required under the Draft Contract are presented below. Offerors are responsible for producing their own prospective financial analyses. Offerors should be appropriately cautious in using these estimates as the National Park Service does not warrant and assumes no liability for the accuracy of the financial projections or estimates.

Exhibit 13. Projected Lodging Beds Sold and Lodging Revenues

Minimum Operating Season (5-15 through 9-15) Projected Lodging Beds Sold and Lodging Revenues				
<i>Year Ending</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
Beds Sold and Lodging Revenues	2,404	2,404	2,404	2,404
Lodging Revenue	\$54,028	\$55,649	\$57,318	\$59,038

Source: National Park Service

INVESTMENTS
Personal Property

The equipment, personal property, merchandise and other inventory property currently located at the Concession Facilities belongs to the existing concessioner. The existing concession contract does not require purchase by the new concessioner of those assets or other compensation of the existing concessioner for any of those assets used or held for use in connection with the concession operations. An



incoming concessioner will be required to provide all necessary personal property for this operation. The National Park Service estimates an initial personal property investment cost of \$11,800 and estimated initial working capital for management relocation, marketing costs, and inventory of \$6,000.

Real Property

The structures/buildings associated with this operation are the property of the government. The Draft Contract prohibits the New Concessioner from constructing in RNSP any Capital Improvements, as that term is defined in 36 C.F.R. Part 51 and any other applicable laws. Concessioners who invest in real property outside of the Park area for the purpose of supporting in-Park operations are not obliged to sell that property to any incoming Concessioner. The government will not compensate Concessioners for such property or require any incoming operator to purchase that property.

FRANCHISE FEES

A minimum annual franchise fee based on the Concessioner's gross receipts will be required. This minimum franchise fee will be equal to either 3% of gross receipts or a flat fee of \$200.00, whichever is greater. However, Offerors may propose a higher minimum franchise fee in accordance with the terms of the prospectus.

TERM

The Draft Contract term will be for seven (7) years. It is anticipated that the Contract will be awarded with a start date of December 1, 2007. However, an earlier start date is preferred if an Offeror is selected and is capable.

SITE VISIT

If requested, RNSP will conduct a one-day organized site visit to provide an overview of the Park along with a tour of existing Concession facilities associated with this Draft Contract, and an opportunity to ask questions. Park contact for site visit is Pat Grediagin, RNSP Chief Ranger, (707) 465-7302.

